

State Department of Corrections

A.R.S. § 41-1602

Director: Dora B. Schriro

JLBC Analyst: Kimberly Cordes-Sween/Martin Lorenzo

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,726.9	9,726.9	9,755.9
Correctional Officer Personal Services	--	275,491,200	289,976,900
Health Care Personal Services	--	35,997,000	37,449,400
All Other Personal Services	--	69,506,200	72,322,100
Personal Services Subtotal	344,749,800	380,994,400	399,748,400
Employee Related Expenditures	120,754,200	143,443,300	160,931,300
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	40,605,800	43,478,300	24,331,400^{1/2/}
Health Care All Other Operating Expenditures			
Professional and Outside Services	--	42,105,900	43,168,800
Travel - In State	--	50,000	52,000
Other Operating Expenditures	--	32,945,000	36,538,000
Equipment	--	710,200	757,400
Health Care Operating Subtotal	--	75,811,100	80,516,200
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	--	750,000	934,100
Travel - In State	--	205,000	205,000
Travel - Out of State	--	115,800	117,900
Other Operating Expenditures	--	88,004,300	81,500,900
Food	--	33,846,800	35,190,100
Equipment	--	2,668,100	4,068,100
Non-Health Care Operating Subtotal	--	125,590,000	122,016,100
All Other Operating Expenditures			
Professional and Outside Services	25,158,000	--	--
Travel - In State	405,900	--	--
Travel - Out of State	174,800	--	--
Other Operating Expenditures	109,507,600	--	--
Food	32,442,600	--	--
Equipment	7,287,800	--	--
All Other Operating Subtotal	174,976,700	--	--
OPERATING SUBTOTAL	640,480,700	769,317,100	787,543,400
SPECIAL LINE ITEMS			
County Jail Beds	1,827,200	1,005,100	868,600 ^{2/}
Private Prison Per Diem	48,004,400	67,202,100	83,169,800 ^{2/3/}
Provisional Beds	16,719,300	33,008,200	91,412,800 ^{2/4/}
AGENCY TOTAL	747,637,400	870,532,500^{5/}	962,994,600^{6/-16/}
FUND SOURCES			
General Fund	707,715,300	826,813,700	910,277,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	193,900	599,300	599,300
Corrections Fund	25,410,900	29,040,400	29,054,700
Penitentiary Land Fund	534,400	869,200	2,925,400 ^{14/}
Prison Construction and Operations Fund	10,230,200	10,250,000	17,626,600
State Charitable, Penal and Reformatory Institutions Land Fund	2,031,400	570,000	570,000 ^{15/}

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
State Education Fund for Correctional Education	1,384,500	1,609,900	1,161,400 ^{16/}
Transition Office Fund	70,200	180,000	180,000
Transition Program Drug Treatment Fund	66,600	600,000	600,000
SUBTOTAL - Other Appropriated Funds	39,922,100	43,718,800	52,717,400
SUBTOTAL - Appropriated Funds	747,637,400	870,532,500	962,994,600
Other Non-Appropriated Funds	43,810,500	46,013,700	47,180,700
Federal Funds	34,171,700	15,015,400	13,173,400
TOTAL - ALL SOURCES	825,619,600	931,561,600	1,023,348,700

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

- ^{1/} The Personal Services and Employee Related Expenditures for Overtime/Compensatory Time line item includes monies for Personal Services and Employee Related Expenditure costs from overtime and compensatory time payouts accrued by department employees in FY 2008. (General Appropriation Act footnote)
- ^{2/} Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for County Jail Beds, Personal Services and Employee Related Expenditures for Overtime/Compensatory Time, Private Prison Per Diem or Provisional Beds line items shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{3/} The Private Prison Per Diem line item includes \$3,700,000 for a 4.6% increase for private prison contractors for facilities that are located in Arizona that house Arizona inmates as of July 1, 2007. The Private Prison Per Diem line item also includes \$1,100,000 for an additional 4.5% increase for the Central Arizona Correctional Facility that opened December 2006. The department shall provide these increases to all applicable contractors by August 1, 2007. (General Appropriation Act footnote)
- ^{4/} The amount appropriated for provisional beds includes \$33,193,000 for the department to contract for 2,060 new provisional beds in FY 2008. (General Appropriation Act footnote)
- ^{5/} Laws 2007, Chapter 256 appropriation of \$9,656,000 for Health Care Other Operating Expenditures supplemental funding.
- ^{6/} Before altering its bed capacity by closing state-operated prison beds, canceling or not renewing contracts for privately-operated prison beds, the Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{7/} Before placing any additional inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in Arizona and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- ^{8/} General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency with Special Line Items. Personal Services are appropriated in 3 line items for correctional officers, health care personnel and all other personnel. All Other Operating Expenditures are appropriated in 2 line items for health care and non-health care.
- ^{9/} The Arizona Department of Administration shall charge the Department of Corrections for employer General Fund health and dental insurance based on actual enrollment in FY 2008. (General Appropriation Act footnote)
- ^{10/} A monthly report comparing Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include at least each line item of appropriation and the main components of All Other Operating Expenditures. The report shall include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- ^{11/} The Department of Corrections shall continue to maintain the Security Threat Group Unit and report to the Joint Legislative Budget Committee by September 1, 2007 on funding and personnel requirements to facilitate the identification of gang members, including implementation of an enhanced phone monitoring system, and options for joining the California GangNet system. (General Appropriation Act footnote)
- ^{12/} The Department of Corrections shall work with the Department of Public Safety's Gang and Immigration Intelligence Team enforcement mission to combat gang activity. The Department of Corrections and the Department of Public Safety shall report jointly to the Joint Legislative Budget Committee by December 1, 2007 on their collaborative efforts and procedures. (General Appropriation Act footnote)
- ^{13/} Department of Corrections personnel in the Correctional Officer Series who receive a geographic stipend shall not retain the geographic stipend associated with that facility when transferring to other department facilities. (General Appropriation Act footnote)
- ^{14/} One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- ^{15/} Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- ^{16/} Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$1,161,400, the Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

PERFORMANCE MEASURES	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
• Escapes from secure facilities Comments: The department reports that 1 inmate escaped from the privately-contracted Florence West facility and 2 escaped from the Fort Grant Unit at the State Prison in Safford in FY 2006. All have since been recaptured and the department has modified security fencing to avoid future escapes.	5	0	3	0
• Number of inmates receiving the General Equivalence Degree Comments: In FY 2003, the General Equivalence Degree (GED) test was suspended for 5 months due to test answers being compromised in another state and has since then returned to normal testing levels. The FY 2005 and FY 2006 actuals were substantially higher because of efforts to eliminate backlog of GED-eligible inmates. After this backlog is eliminated, the number of GED recipients should level out, reaching 2,500 in FY 2008 and 2,000 in subsequent years.	1,433	3,125	3,091	2,500
• Number of inmate random positive urinalysis results	980	943	912	900

Operating Budget

The budget provides \$787,543,400 and 9,755.9 FTE Positions for the operating budget in FY 2008. This amount consists of:

	<u>FY 2008</u>
General Fund	\$769,633,300
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	380,400
Penitentiary Land Fund	869,200
Prison Construction and Operations Fund	13,549,800
State Charitable, Penal and Reformatory Institutions Land Fund	570,000
State Education Fund for Correctional Education	1,161,400
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$20,710,400 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	20,658,800
Corrections Fund	14,300
State Education Fund for Correctional Education	37,300

Of this amount, \$504,400 is allocated to the Personal Services and Employee Related Expenditures for Overtime/Compensatory Time line item. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Inmate Health Care Increase

The budget provides an increase of \$13,767,200 from the General Fund in FY 2008 above the original FY 2007 budget for increased health care operating costs. This amount includes \$3,767,200 for a 6% inflationary increase

and a \$10,000,000 base adjustment due to higher ongoing FY 2007 costs that will continue in FY 2008. The 6% increase is similar to the inflationary increase provided to AHCCCS for the Acute Care Capitation Rate. Funding would apply to direct health care costs associated with contracted services, medications, and other medical supplies. In FY 2007, ADC was also funded for a 6% health care increase.

The \$10,000,000 base adjustment reflects higher than anticipated FY 2007 health care expenditures due to an 8.8% increase in hospital bed days, 6.5% higher population, and 6% inflation above the FY 2006 spending level. Laws 2007, Chapter 256 also provides supplemental funding of \$9,656,000 from the General Fund in FY 2007 for these higher health care expenditures. *(Please see footnote 5 and "Other Issues" for additional information.)*

Population Growth

The budget provides an increase of \$3,308,300 from the General Fund in FY 2008 for population growth. The \$3,308,300 provides funding for an average daily population (ADP) increase of 1,920 inmates, or 160 net new inmates per month. The marginal cost per inmate, per year, totals \$3,531 for state-operated facilities and \$498 for privately-operated facilities. These monies are allocated between the department's various Health Care and Non-Health Care All Other Operating Expenditure line items. *(Please see the Bed Capacity section in "Other Issues" for additional information.)*

Supervisor Pay Increase

The budget provides an increase of \$3,000,000 from the General Fund in FY 2008 for a supervisor pay increase. The \$3,000,000 is to be distributed to the Sergeant, Lieutenant, and Captain classifications in the Correctional Officer Series. The allocation amongst these classifications is to be determined by the department and is in addition to the 3.25% statewide salary adjustment.

Inmate Transportation Vehicle Replacement

The budget provides an increase of \$2,000,000 from the Prison Construction and Operations Fund in FY 2008 for inmate transportation vehicle replacement. The vehicles to be replaced include: 2 caged vans (\$65,000), 3 heavy-duty transport buses (\$1,243,000), and 6 regular-duty work crew buses (\$692,000).

Transfer Funding from County Jail Beds SLI

The budget provides an increase of \$1,652,300 from the General Fund in FY 2008 to transfer funding from the County Jail Beds Special Line Item to the operating budget. A contract with the Coconino County Detention Facility for 88 beds has been canceled. These inmates will instead be housed in state prison beds. This transfer results in no net change to the department's overall budget. *(Please see the "County Jail Beds" Special Line Item for additional information.)*

Utilities Increase

The budget provides an increase of \$1,000,000 from the Prison Construction and Operations Fund in FY 2008 for increased utility costs. Due to rate and usage increases, the department's FY 2008 utility expenditures are estimated to increase. As a result, the budget provides \$1,000,000 to offset a portion of the additional costs.

4 New Security Posts

The budget provides an increase of \$912,500 and 22 FTE Positions from the General Fund in FY 2008 for 4 new security posts. In FY 2007, the department established an additional 1,386 beds at various state-operated prison facilities. The \$912,500 provides the funding and positions necessary to staff the security posts resulting from the new beds. *(Please see the Bed Capacity section in "Other Issues" for additional information.)*

One-Time Funding for Equipment

The budget provides a decrease of \$(600,000) from the General Fund in FY 2008 to reflect one-time monies appropriated to the department for van pool and equipment replacement. Of the \$2,500,000 from the General Fund ADC received in FY 2007, \$1,000,000 was one-time equipment monies, and \$1,500,000 replaced existing van pool vehicles. The FY 2008 budget retains the \$1,000,000 for equipment and \$900,000 (of the \$1,500,000) to replace van pool vehicles as an ongoing appropriation.

Educational Adjustment

The budget provides a decrease of \$(485,800) from the State Education Fund for Correctional Education in FY 2008 to reflect a reduced student population and for a per pupil base adjustment. The department provides educational services to minors that were adjudicated as adults.

ADC receives funding from the Department of Education (ADE) based on the number of students participating in ADC's K-12 institutional programs. The funding

allocation provided to ADC is similar to that of a regular school district since ADC receives that funding on a per pupil basis. In FY 2008, the projection includes funding for 40 fewer students and increases the per pupil base funding by 2%. The ADE monies are undesignated in nature and can be used for any type of institutional purpose. *(Please see the Arizona Department of Education narrative for additional information.)*

Leap Year Operating Costs

The budget provides an increase of \$299,800 from the Prison Construction and Operations Fund in FY 2008 for one-time costs associated with operating correctional facilities for an additional day during a leap year. The department would receive total leap year funding of \$576,600, including costs associated with Special Line Items. *(Please see the department's Special Line Items for remaining costs.)*

Substance Abuse Treatment (Meth Pilot)

The budget provides an increase of \$232,600 and 4 FTE Positions from the General Fund for substance abuse treatment, including a Methamphetamine Pilot Program. The department currently treats 2,200 inmates annually for substance abuse with 22 counselors. This funding would allow ADC to hire 3 more counselors and 1 administrative assistant, and expand treatment to an additional 180 inmates. Funding includes \$27,000 for one-time equipment.

Sex-Offender Treatment

The budget provides an increase of \$230,600 and 3 FTE Positions from the General Fund for sex offender treatment services. The department currently treats 200 sex offenders with 7 counselors. This funding would allow ADC to hire 3 more counselors and expand treatment to an additional 120 inmates. Funding includes \$20,200 for one-time equipment.

Transfers to Special Line Items

The budget provides a decrease of \$(62,300) from the General Fund in FY 2008 for base adjustments and transfers of funding between the operating budget and various Special Line Items. This amount consists of a series of adjustments including FY 2007 transfers and FY 2008 adjustments to better reflect actual FY 2008 department funding needs. These transfers and adjustments result in no net change to the department's overall budget. *(Please see Table 7 for FY 2007 transfers and adjustments.)*

Special Line Items

County Jail Beds

The budget provides \$868,600 for the County Jail Beds SLI in FY 2008. This amount consists of:

General Fund	866,200
Prison Construction and Operations Fund	2,400

These amounts fund the following adjustments:

Transfer Coconino County Beds Funding to Operating Budget

The budget provides a decrease of \$(1,652,300) from the General Fund in FY 2008 below the original FY 2007 budget to transfer funding to the operating budget due to the cancellation of ADC's contract with the Coconino County Detention Facility for 88 beds. Coconino County canceled the contract to house county inmates in these beds, effective November 2006. These beds were authorized by Laws 2003, 2nd Special Session to address overcrowding in the state prison system. The state originally contracted for 88 Coconino County beds, but the count was reduced to 44 beds in February 2006 to accommodate the county detainee population. The recent cancellation of the contract further reduces the bed capacity by 44 (*see Table 1*). The department will use these monies to instead house these inmates in state prison beds. This transfer results in no net change to the department's overall budget. (*Please see the department's Operating Budget for additional information.*)

Leap Year Operating Costs

The budget provides an increase of \$2,400 from the Prison Construction and Operations Fund in FY 2008 for one-time costs associated with operating ADC-contracted county jail beds for an additional day during a leap year. (*Please see the department's Operating Budget and Special Line Items for additional information.*)

The County Jail Beds SLI provides funding for 48 beds located at the Navajo County Jail. These beds are county-operated, non-permanent beds used as overflow for state-operated beds. *Table 1* shows the number of county jail beds by location for FY 2006, FY 2007 and FY 2008, as well as the FY 2008 per diem rates.

Table 1				
County Jail Beds by Location				
Location	FY 2006	FY 2007	FY 2008	FY 2008 Per Diem
Navajo County	48	48	48	\$49.44
Coconino County	44	0	0	0
Total/Avg. Per Diem	92	48	48	\$49.44

(*Please see the Bed Capacity section in "Other Issues" for additional information.*)

Private Prison Per Diem

The budget provides \$83,169,800 for the Private Prison Per Diem SLI in FY 2008. This amount consists of:

General Fund	52,478,300
Corrections Fund	28,674,300
Penitentiary Land Fund	1,000,000
Prison Construction and Operations Fund	1,017,200

These amounts fund the following adjustments:

Transfer Newton Funding to Provisional Beds SLI

The budget provides a decrease of \$(13,005,000) from the General Fund in FY 2008 to transfer funding from the Private Prison Per Diem SLI since canceled Newton County beds will be replaced with provisional beds. In November 2005, the Newton County, Texas contract for 645 privately-operated beds was canceled by the contractor. Laws 2006, Chapter 344, increased the inmate per diem rate from \$38 to \$55 for these beds in order for ADC to contract with a new vendor. ADC issued a Request for Proposal (RFP) in November 2006 to acquire public or private replacement beds in-state or out-of-state on a provisional basis. The department awarded a contract to the State of Indiana for the provisional replacement beds and ADC began transferring these inmates to Indiana in March 2007. This transfer results in no net change to the department's overall budget. (*Please see the "Provisional Beds" Special Line Item for additional information.*)

Annualize 1,000 Private Beds

The budget provides an increase of \$9,409,500 from the General Fund in FY 2008 to annualize 1,000 privately-operated sex offender beds. The total annual cost of these beds is \$22,447,500. This amount provides funding for beds authorized by Laws 2003, 2nd Special Session, Chapter 5.

The contract for these beds was awarded in June 2005. The enacted FY 2006 budget assumed that these beds would be operational in December 2005. These beds opened in December 2006.

Private Provider Rate Increase

The budget provides an increase of \$4,800,000 in FY 2008 to provide an increase for in-state private prison contracts. This amount consists of:

General Fund	3,000,000
Penitentiary Land Fund	1,000,000
Prison Construction and Operations Fund	800,000

These amounts include \$3,700,000 for a 4.6% increase for in-state private prison contractors and \$1,100,000 for an additional 4.5% increase for the 1,000 sex-offender beds Central Arizona Correctional Facility (CACF) that opened in December 2006. All private facilities in operation on July 1, 2006 received a 4.5% per diem increase; however, due to a delayed opening, CACF did not receive the increase at that time. Additional funding of \$1,100,000, or 4.5%, is provided to CACF to bring that facility in line with funding increases provided to the other private prisons in FY 2007. (*Please see footnote 3 for additional information.*)

Leap Year Operating Costs

The budget provides an increase of \$217,200 from the Prison Construction and Operations Fund in FY 2008 for one-time costs associated with operating ADC-contracted private prisons for an additional day during a leap year.

(Please see the department's Operating Budget and Special Line Items for additional information.)

Transfer to Operating Budget and Special Line Items

The budget provides a decrease of \$(98,700) from the General Fund in FY 2008 for base adjustments and transfers of funding between the operating budget and various Special Line Items. This amount consists of a series of adjustments including FY 2007 transfers and FY 2008 adjustments to better reflect actual FY 2008 department funding needs. These transfers and adjustments result in no net change to the department's overall budget. (Please see Table 7 for FY 2007 transfers and adjustments.)

The Private Prison Per Diem line item includes monies paid to non-provisional private prison contractors for daily expenses associated with housing Arizona inmates. Private prison beds are permanent beds that the department will own after a period of 20 years, on average. Provisional beds are temporary rented beds that are usually contracted on an annual basis with renewals for up to 4 or 5 years. The contract for these provisional beds, however, can be canceled at any time. Department administrative expenses related to private prison contracts are not included in this SLI and are included in the department's operating budget subtotal. Table 2 shows the number of private prison beds by location for FY 2006, FY 2007, and FY 2008, as well as the FY 2008 per diem rates including all adjustments.

Table 2				
Private Prison Beds by Location				
Location	FY 2006	FY 2007	FY 2008	FY 2008 Per Diem
Kingman	1,400	1,400	1,400	\$57.15
Phoenix West	400	400	400	\$49.28
Marana	450	450	450	\$49.03
Florence West	600	600	600	\$52.19
Florence II (CACF, Sex-Offenders)	0	1,000	1,000	\$67.34
Emergency Beds (multiple Locations)	364	414	414	\$27.54
Total/Avg. Per Diem	3,214	4,264	4,264	\$54.37

Please see "Additional Legislation" and the Bed Capacity Section in "Other Issues" for additional information.)

Provisional Beds

The budget provides \$91,412,800 for the Provisional Beds SLI in FY 2008. This amount consists of:

General Fund	87,299,400
Penitentiary Land Fund	1,056,200
Prison Construction and Operations Fund	3,057,200

These amounts fund the following adjustments:

New 2,060 Provisional Beds

The budget provides an increase of \$33,193,000 in FY 2008 to contract for 2,060 new provisional beds. This amount consists of:

General Fund	31,193,000
Prison Construction and Operations Fund	2,000,000

Due to an increasing bed deficit projected at (4,541) by the end of FY 2008, the budget provides ADC partial-year funding of \$33,193,000 to contract for 2,060 new provisional beds in FY 2008. In addition to soliciting bids for replacement beds, ADC's November RFP included up to 3,000 new provisional beds pending approval of funding. In May, the department awarded contracts for the 2,060 beds, including 720 additional beds at the Diamondback facility in Watonga, Oklahoma at a per diem rate of \$59.45 and 1,340 beds in Hinton, Oklahoma at a per diem rate of \$56.95 (the per diem rate decreases from \$56.95 to \$54.50 starting in April 2008). These beds will be phased-in at 105 per week beginning in July 2007. The fully-annualized cost for these beds in FY 2009 will be \$42,279,400 or an increase of \$9,086,400 over FY 2008.

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) repeals the FY 2006 session law that would have provided \$11,193,000 in FY 2008 to the Arizona Department of Administration (ADOA) to contract for 3,000 public or private prison beds; however, the bids for the ADOA 3,000 bed solicitation were deemed to be unresponsive and the appropriation to ADOA in FY 2008 is repealed. Chapter 255, the General Appropriation Act, instead appropriates this funding to contract for the new 2,060 provisional beds. This funding has been included in the 2,060 New Provisional Beds funding total. (Please see footnote 4 for additional information.)

Transfer Newton Funding From Private Prison Per Diem SLI

The budget provides an increase of \$13,005,000 from the General Fund in FY 2008 to transfer funding from the Private Prison Per Diem SLI since the canceled 645 Newton County replacement beds will be replaced with provisional beds. In March 2007, ADC began transferring Arizona inmates to 1,260 newly contracted provisional beds at the Newcastle Facility in the State of Indiana. These 1,260 provisional beds replace the Newton County beds and other beds from a canceled Reeves County contract. This transfer results in no net change to the department's overall budget. (Please see the "Private Prison Per Diem" Special Line Item for additional information.)

Provisional Bed Per Diem Increase

The budget provides an increase of \$10,063,200 in FY 2008 for an increase in provisional bed contract rates. This amount consists of:

General Fund	8,007,000
Penitentiary Land Fund	1,056,200
Prison Construction and Operations Fund	1,000,000

In November 2006, ADC issued an RFP to replace 2,700 out-of-state provisional beds. These replacement beds include vendor canceled contracts for 645 Newton County, Texas beds and 864 Reeves County, Texas beds, as well as 1,200 Oklahoma beds with the contract expiring at the end of FY 2007. The funded costs for these beds ranged from \$45 to \$55 per day. ADC awarded 2 contracts in May 2007 to replace these beds, including 1,440 beds at the Diamondback Facility in Watonga, Oklahoma at a per diem rate of \$59.45 and 1,260 beds at the New Castle Facility in Indiana at a per diem rate of \$64. This appropriation increases provisional bed funding in FY 2008 to reflect the higher per diem contract costs.

Transfer from Operating Budget and Special Line Items

The budget provides an increase of \$161,000 from the General Fund in FY 2008 for base adjustments and transfers of funding between the operating budget and various Special Line Items. This amount consists of a series of adjustments including FY 2007 transfers and FY 2008 adjustments to better reflect actual FY 2008 department funding needs. These transfers and adjustments result in no net change to the department's overall budget. *(Please see Table 7 for FY 2007 transfers and adjustments.)*

Leap Year Operating Costs

The budget provides an increase of \$57,200 from the Prison Construction and Operations Fund in FY 2008 for one-time costs associated with operating ADC provisionally-contracted prison facilities for an additional day during a leap year. *(Please see the department's Operating Budget and Special Line Items for additional information.)*

The Provisional Beds SLI provides funding for 4,760 provisional beds located in Oklahoma and Indiana. These beds are privately-operated, non-permanent beds used as overflow for state-operated beds. Private prison beds are permanent beds that the department will own after a period of 20 years, on average. Provisional beds are temporary rented beds that are usually contracted on an annual basis with renewals for up to 4 or 5 years. The contract for these provisional beds, however, can be canceled at any time.

Table 3				
Provisional Beds by Location				
Location	FY 2006	FY 2007	FY 2008	FY 2008 Per Diem
Watonga, Oklahoma	1,200	1,440	2,160	\$59.45
Hinton, Oklahoma	0	0	1,340	\$54.50 ^{1/}
Reeves County, Texas	864	0	0	--
New Castle, Indiana	0	1,260	1,260	\$64.00
Total/Avg. Per Diem	2,064	2,700	4,760	\$59.26

^{1/} \$56.95 through March 2008.

Table 3 shows the number of provisional beds by location for the end of FY 2006, FY 2007 and FY 2008, as well as the FY 2008 per diem rates.

(Please see the Bed Capacity section in "Other Issues" for additional information.)

Additional Legislation

Authorization of Future Public and Private Beds

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) authorizes ADOA to construct 4,000 new public prison beds using lease-purchase financing with the first payment to be due in FY 2009. ADOA may enter into a lease-purchase agreement for up to \$200,000,000 to construct the new public beds.

Chapter 261 also authorizes ADOA to contract for 2,000 private prison beds that will become operational on the same timeline as the public beds. ADOA, in consultation with ADC, is to revise the 3,000 bed Request for Proposals (RFP), as developed pursuant to Laws 2006, Chapter 348, to eliminate ADC as a possible bidder and eliminate opening date requirements. ADOA shall reissue the RFP and award a contract for 2,000 private prison beds. ADC will assume ADOA contract responsibilities after the contract is awarded.

The Directors of ADC and ADOA are required to submit a joint quarterly report on the status of both the public prison expansion and private prison contracts to the Joint Committee on Capital Review until all 6,000 new beds are open.

Corrections Officer Retirement Plan (CORP) Disability Retirement

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) expands the eligibility for ordinary disability retirement to all individuals in the Corrections Officer Retirement Plan (CORP), not just dispatchers. The implementation of this permanent law change becomes effective 1 year after CORP liabilities are 100% covered, but no earlier than June 30, 2010.

Budget Structure

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) requires the department to report FY 2007 actual expenditures, FY 2008 estimated expenditures, and FY 2009 requested expenditure amounts for each line item as delineated in the FY 2008 General Appropriation Act when submitting the FY 2009 budget request. *(Please see footnote 8 for additional information.)*

Transition Office Fund

Laws 2007, Chapter 247 changes fund revenue collections for the Transition Office Fund, an appropriated fund. Collections for this fund will change from an 8% wage collection from drug offenders to a 5% collection from all

prisoners, with the exception of Driving Under the Influence (DUI) offenders. According to ADC, this change is anticipated to increase revenue from an estimated \$210,000 in FY 2007 to \$420,000 in FY 2008.

Other Issues

Bed Capacity

Table 4 provides a comparison of the projected fiscal year-end prison population, the number of beds (expressed as Operational Capacity), the projected bed shortage, and the bed deficit as a percentage of Operational Capacity (% Over Capacity).

Mo/ Year	Actual Population	Operational Capacity	Bed Shortfall	% Over Capacity
6/05	32,710	31,792	(918)	2.9
6/06	34,864	31,232	(3,632)	11.6
6/07	36,881	34,260	(2,621)	7.7
6/08	38,801	36,320	(2,481)	6.8

The bed deficit is expected to be (2,621) or (7.7)% of bed capacity by the end of FY 2007. The deficit will be (2,481) or (6.8)% by the end of FY 2008.

These projections reflect the department's estimate that the prison population will grow by 160 inmates per month, or 1,920 each year. Through May 2006, the average monthly growth was 172 inmates.

The bed shortfall is estimated to grow to (4,401) by the end of FY 2009 and (6,321) by the end of FY 2010 if no additional prison beds are added to the system. *(Please see "Additional Legislation" for additional information on newly authorized prison beds.)*

In FY 2007, the department added 1,386 new public beds to existing state facilities. These beds have been added to the permanent bed capacity for the department. Table 5 provides a breakdown of the department's funded permanent beds by state-operated facility.

Facility	Permanent	New	Total
Douglas	2,015	255	2,270
Eyman	4,120	90	4,210
Florence	3,266	106	3,372
Perryville	2,796	320	3,116
Phoenix	802	20	822
Lewis	4,150	120	4,270
Safford	1,453	95	1,548
Tucson	3,784	0	3,784
Winslow	1,626	40	1,666
Yuma	1,850	340	2,190
Total	25,862	1,386	27,248

Table 6 shows the different types of beds that the department manages, including: State Beds, Private Beds, County Beds, and Provisional Beds. State beds represent

beds owned and operated by the department. These beds are located in 10 complexes throughout the state. Private beds represent beds owned and/or operated by private entities with which the department has contracted. The department currently has contracts with 5 facilities for private in-state beds. County jail beds are located in Navajo County. Provisional beds represent beds used to house inmates on a temporary basis.

Bed Type	FY 2006	FY 2007	FY 2008
State Beds	25,862	27,248	27,248
Private Beds	3,214	4,264	4,264
County Beds	92	48	48
Provisional Beds	2,064	2,700	4,760 ^{1/}
Total	31,232	34,260	36,320

^{1/} Includes 2,060 New FY 2008 Provisional Beds.

Personal Services and ERE for Overtime/ Compensatory Time

The FY 2007 General Appropriation Act (Laws 2006, Chapter 344) appropriated \$19,688,100 for Overtime/Compensatory Time (OT/CT) after monies previously appropriated for OT/CT were shifted to increase the salaries of those in the Correctional Officer (CO) series. The higher pay was intended to reduce vacancies and, thereby, reduce overtime expenditures. While the department made progress in filling vacant CO II positions, the increases in staffing did not reduced OT/CT expenditures as quickly as anticipated due to the majority of new hires occurring in the second half of the fiscal year. As a result, the Joint Legislative Budget Committee approved net transfers of \$23,790,200 into the OT/CT line item, resulting in a total allocation of \$43,478,300 in FY 2007. After realignments between department line items and SLI's and standard changes, the FY 2008 General Appropriation Act (Laws 2007, Chapter 255) provides \$23,827,000 for OT/CT in FY 2008. *(Please see Table 7 for additional information.)*

FY 2007 Transfers and Supplemental

Several funding transfers were made within ADC's budget during FY 2007. These transfers were made to address shortfalls within certain areas of the department's budget. Laws 2007, Chapter 256 provided a supplemental appropriation of \$9,656,000 for an increase in health care operating expenditures *(Please see the department's Operating Budget for additional information.)*

Table 7 shows the adjustments to the department's budget in FY 2007.

Table 7

	FY 2007 Changes		FY 2007 Supplemental	Final FY 2007
	<u>FY 2007 Estimate</u>	<u>JLBC Transfers</u>		
Correctional Officer Personal Services	\$264,007,200	\$11,484,000		\$275,491,200
Health Care Personal Services	43,240,900	(7,243,900)		35,997,000
All Other Personal Services	77,016,200	(7,510,000)		69,506,200
ERE	151,287,000	(7,843,700)		143,443,300
Overtime/Comp Time	19,688,100	23,790,200		43,478,300
Health AOOE	62,801,200	3,353,900	\$9,656,000	75,811,100
Non-Health AOOE	123,537,200	2,052,800		125,590,000
County Jail Beds	2,518,500	(1,513,400)		1,005,100
Private Prison Per Diem	81,846,800	(14,644,700)		67,202,100
Provisional Beds	<u>34,933,400</u>	<u>(1,925,200)</u>		<u>33,008,200</u>
Total	\$860,876,500	\$ 0	\$9,656,000	\$870,532,500